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SUBJECT: Ghana Pol/Econ Highlights, Fall 2006

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**¶11.** (U) This report covers noteworthy economic and political events and activities in Ghana for the period of August - October 2007. The issues covered are:

-- Macro-economic performance  
-- 2007 Draft Budget To Be Published November 16  
-- Halting Progress on Ghana Telecom Privatization  
-- Tema Oil Refinery - Initial Steps Toward Privatization  
-- Electricity and Water Tariffs Not Rising After All  
-- AfDB Launches Fixed Rate Eurobond in Cedis  
-- Offinso Parliamentary By-election  
-- Violence in Wa

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ECONOMICS HIGHLIGHTS:  
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Macro Performance:

**¶12.** (U) Ghana's strong macroeconomic performance continued through the third quarter of 2006, according to recently released data from the Bank of Ghana (BoG) Monetary Policy Committee. Inflation dropped to 10.8 percent in September and the BoG expects real GDP growth to again reach 6 percent. Both imports and exports showed strong growth, with cocoa and gold leading the way on exports. Overall, the trade deficit was down slightly. Non-traditional exports reached about USD 950 million compared to USD 536 million for the same period last year, largely due to better tracking of such exports rather than actual increases. Driven primarily by strong private and official transfers, the overall balance of payments has moved into a small surplus of USD 13 million compared to a deficit of USD 195 million at this time last year. Foreign reserves were at USD 1.84 billion at the end of August. Reflecting diminished inflation expectations, the maturity structure of public securities has lengthened. Two year maturities as of September 2006 accounted for 22 percent of total outstanding government debt, compared to 11 percent in September 2005. Ninety-one day securities declined from 49.7 percent to 24.1 percent end August 2005 to end August 2006. Additional detail can be found at the Bank of Ghana's website: [www.bog.gov.gh](http://www.bog.gov.gh)

2007 Draft Budget to be Published November 16

**¶13.** (U) The 2007 draft budget will be submitted to Parliament on November 16, a week later than the target date of November 9. Key challenges include how the government will finance much-needed public investment in energy and other infrastructure without accumulating unsustainable debt and how to manage pressures for increased public sector wages. While the macro picture remains positive, Ghana remains heavily dependent on donor resources for key sectors and tax revenue figures are slipping below targets as 2006 comes to a close. According to press reports, November 1, the Minister of Harbors and Railways publicly stated that corrupt officials at the ports were shortchanging the government of customs revenue.

## Halting Progress on Ghana Telecom Privatization

**14.** (SBU) The government, based on a public tender, is in the process of choosing a transactions advisor for the privatization of Ghana Telecom. Price Waterhouse Cooper, GT's auditor, is preparing a value assessment that is due at the end of December. Key issues for the transactions advisor to consider will include whether to separate mobile and land-line operations and whether to terminate Ghana Telecom's exclusive rights to the SAT 3 undersea fiber optic cable system. Both government officials and officials inside of Ghana Telecom have expressed concern about the prospects for realization of a fully transparent process. The government's goal is to finalize the privatization by June, 2007.

## Tema Oil Refinery - Initial Steps Toward Privatization

**15.** (U) On November 8, the government issued a solicitation in local papers for an advisor on privatization and expansion of the Tema Oil Refinery (TOR). The notice should also appear in the Economist. TOR is currently a major drain on GoG finances. Subsidies in the first half of 2006 amounted to more than USD 50 million.

## Electricity and Water Tariffs Not Rising After All

**16.** (U) The Public Utility Regulatory Commission (PURC) announced that effective November 1, tariffs for electricity and water were to rise about 25 percent but the government has decided the increases should not be passed on to consumers. The proposed increase was part of an effort to put the utilities on a firm financial footing and to raise adequate revenue for needed infrastructure investment to improve service. However, according to press reports, a statement issued from the Office of the President and signed by Mr Kwadwo Mpiani, Chief of Staff and Minister for Presidential Affairs, said "Government will continue its commitment to support the utility companies by giving them more funds to upgrade their investment in order to improve service delivery to the public." The statement said while government accepted the PURC's view that there should be full cost recovery in provision of utilities, it believed that the time for the adjustment was not right especially in view of the relatively poor quality service and current load shedding exercise. Both the electric and water utilities remain state-owned. Management of the water utility has been under contract of a private South African/Dutch firm for several months.

## AfDB Launches Fixed Rate Eurobond in Cedis

**17.** (U) The African Development Bank launched its first cedi-denominated bond in mid-October. The bond is a two-year fixed rate Eurobond and is the first issuance by an IFI of a bond in any West African currency. The bond issue is expected to be equivalent to between USD 20 million and USD 30 million.

## POLITICAL HIGHLIGHTS:

### Offinso Parliamentary By-election

**18.** (U) Dr. Owusu Achaw Duah, a Medical Practitioner and candidate of the ruling New Patriotic Party, won a Parliamentary by-election in Offinso-south, OWOQ\*`Idmoah of the main opposition National Democratic Congress, took only 34 percent. Although the NPP declared the win as "the party's touch for victory in the 2008 general elections", the results are not significant relative to the party's popularity or potential showing in the 2008 elections.

## Violence in Wa

**19.** (U) Following the death of the chief of the Wala people in the Upper West Region, four related families are currently embroiled in a succession struggle that recently escalated into communal violence at the end of Ramadan. Alhaji Issah Seidu, who is leader of three of the families and who has declared himself to be the next Wa Na (chief of the Wa) Head of the three royal gates, was attacked along with his entourage during Eid-al-fitr prayers. Claiming

interference in the succession by politicians, Seidu publicly accused the Regional Minister of plotting to assassinate him. The Regional Minister has denied the accusations.

BRIDGEWATER